
Disposition of Prior Audit Recommendations

The following audit recommendations are from the Statewide Single Audit for fiscal year ended June 30, 1996.

Recommendation

Disposition

State Controller's Office

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| 1 | The State Controller's Office should provide training and guidance to state agency personnel to ensure that federal funding requirements are met. The training and information should be comprehensive enough so that agency personnel can: | Implemented. |
| | a. Distinguish between vendor and subrecipient relationships. | |
| | b. Use the correct language in their formal subrecipient and vendor agreements. | |
| | c. Use the correct accounting treatment for subrecipient and vendor transactions. | |

Department of Agriculture

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| 2 | The Department of Agriculture should establish procedures to distinguish between vendor and subrecipient relationships, verify that the Department's matching arrangements are acceptable to the federal government, and comply with subrecipient monitoring requirements when applicable. | Implemented. |
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Recommendation**Disposition****Department of Corrections**

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| 3 | The Department of Corrections should record donated surplus property at 23.3 percent of original acquisition cost or at a lesser fair value approved by the federal government on the State's accounting system and on the Schedule of Grant Activity. | Implemented. |
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Department of Education

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| 4 | The Department of Education should improve the procedures for Title VI-B on-site reviews by: | Implemented. |
| | a. Reevaluating time frames for reporting to LEAs and obtaining LEAs' responses. The reevaluation should balance the need for realistic time frames that can be met by staff and LEAs with the need to achieve timely resolution of problems. | |
| | b. Ensuring established time frames are implemented. | |

Office of the Governor**Governor's Job Training Office**

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| 5 | The Governor's Job Training Office should continue to work with State Treasury to improve the timeliness of cash draws for Job Training Partnership Act program expenditures by requesting federal funds so that the cash is received on the same day as the associated electronic funds transfers and warrants clear the bank. | Implemented. |
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Recommendation**Disposition****Department of Health Care Policy
and Financing**

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| 6 | The Department of Health Care Policy and Financing should improve its management of accounts receivables by following established control procedures for completing reconciliations and strengthening controls to prevent errors from occurring. | Not implemented. See current year Recommendation No. 2. |
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Department of Higher Education**Colorado Student Loan Division**

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| 7 | The Colorado Student Loan Division should consider reviewing and evaluating procedures performed by the Division staff and by the Division's automated dialing system as follows:

a. Perform a thorough investigation of the 12 instances of noncompliance described above to determine the specific reasons for noncompliance and to evaluate if there are additional instances of noncompliance which may have occurred as a result of the identified causes.

b. Test and evaluate the automated dialing system and other control procedures on a regular basis to determine if the systems are working properly.

c. Evaluate the Division's policies and procedures regarding Division staff training related to the instances of noncompliance identified to determine if additional training is necessary or if training programs should be modified. | Implemented. |
| 8 | The Colorado Student Loan Division should consider testing and evaluating existing procedures and controls related to the written notification system to determine that deficiencies identified in the controls have been corrected. | Implemented. |

Recommendation**Disposition**

- 9 The Colorado Student Loan Division should consider performing the following to ensure compliance with the Division's policies and procedures and federal regulations:

- a. Review and evaluate the LVC approval policy, especially regarding policies and procedures related to outside collection agencies.
- b. Improve utilization of the on-line capabilities with outside collection agencies, to perform inquiry and obtain documentation such as the collection agencies' payment histories for retention in the borrowers' M3TR correspondence files. This should assist in determining whether the required payments have been received by the collection agency.

Colorado State University

- 10 Colorado State University should obtain clarification, from the U.S. Department of Education, of the requirements for formal approval of new locations where financial aid is being administered. Implemented.
- 11 Colorado State University should review their system for accountability information necessary to calculate the refunds to program accounts. Procedures should be developed to ensure that management obtains timely information to comply with the U.S. Department of Education refund requirements. Partially implemented. The University has taken steps to improve the timeliness of the refund processing procedures. However, there are still refunds that are not processed within the required time frame. The University will continue to identify any other changes which will improve the processing further. Follow-up in Fiscal Year 1998.

Recommendation**Disposition****Fort Lewis College**

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| 12 | Fort Lewis College should implement a procedure whereby FFELP Loan funds are not disbursed to students until the student presents evidence of having a loan entrance counseling interview. | Implemented. |
| 13 | Fort Lewis College should continue to use the new software to ensure that they calculate refunds in accordance with federal regulations. | Implemented. |

University of Southern Colorado

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| 14 | The University of Southern Colorado should improve the reconciliation process between the general ledger, internal reports from financial aid, and external reports. This reconciliation should occur on a monthly basis. Reconciliations will reduce the risk of over or under requesting of federal funds and monetary findings. | Implemented. |
| 15 | The University of Southern Colorado financial aid counselors should coordinate with the registrar's office, especially related to the off-campus locations, to verify classes attended and the amount of Pell award students are entitled to receive. | Implemented. |

Metropolitan State College of Denver

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| 16 | Metropolitan State College of Denver should strengthen student financial assistance policies and practices to more fully comply with federal regulations. | Implemented. |
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Front Range Community College

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| 17 | Front Range Community College should continue to investigate and resolve any differences between the federal Cash Transactions Report (PMS 272) and the general ledger in a timely manner. | Not implemented. See current year Recommendation No. 5. |
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Recommendation**Disposition****Lamar Community College**

- 18 Lamar Community College should ensure that all student federal financial aid files which are selected for verification have complete documentation. Implemented.

Pueblo Community College

- 19 Pueblo Community College should establish procedures to ensure all reports required by the Perkins program are filed in a timely manner. Implemented.

University of Northern Colorado

- 20 The University of Northern Colorado should amend its refund procedures to include additional guidance regarding established deadlines for verifying all refund information for each of the departments affected (the Dean's Office, Financial Aid, and Accounting) and additional procedures to follow when the incorrect information is received from or by the different departments. Implemented.

Colorado School of Mines

- 21 The Colorado School of Mines should establish formal procedures to ensure grade changes made subsequent to semester-end are communicated between Financial Aid and the Registrar's Office. Implemented.
- 22 The Colorado School of Mines Financial Aid Office should periodically compare PLUS loans processed with proceeds received. Implemented.
- 23 The Colorado School of Mines Financial Aid Office should periodically review work study wages earned and compare wages earned to work study contract terms. Implemented as applies to federal funds.

	Recommendation	Disposition
24	The Colorado School of Mines Fiscal Services Department should pay particular attention to invoices that could relate to entertainment related activities to ensure such unallowable costs are not charged to federal awards. Additionally, account 4-41604 should be adjusted accordingly.	Implemented.
25	The Colorado School of Mines Fiscal Services and Research Services Departments should implement the necessary steps to ensure all close-out reports and reimbursement requests are submitted as quickly as possible following the completion of a project. Additionally, the Colorado School of Mines management should establish enhanced controls so that close-out deadlines are achieved within a reasonable time period.	Partially implemented. See current year Recommendation No. 27.
26	The Colorado School of Mines Financial Aid Office should print award letters whenever a change occurs in the source or amount of a student's funding. One copy of the announcement should be mailed to the student and the other copy should be retained in the student's financial aid file.	Partially implemented. See current year Recommendation No. 25.
Department of Human Services		
27	The Department of Human Services should further improve controls over the cash management process by: <ul style="list-style-type: none">a. Clarifying and implementing more systematic procedures for federal cash draws.b. Ensuring that State Treasury's instructions for federal cash draws are implemented in a timely and accurate manner.	<p>Partially implemented. The Department has clarified procedures but is still working on developing a methodology to ensure draws are made systematically. Follow-up in Fiscal Year 1998.</p> <p>Not implemented. See current year Recommendation No. 6.</p>

	Recommendation	Disposition
28	<p>The Department of Human Services should strengthen controls over subrecipients to ensure federal funds are used appropriately by:</p> <ul style="list-style-type: none"> a. Identifying all subrecipients and requiring them to submit audit reports. b. Ensuring audit reports are received and reviewed timely. c. Taking corrective action as appropriate under federal regulations. 	<p>Partially implemented. As of our Fiscal Year 1997 audit, the Department had identified all subrecipients, but it had not yet notified all subrecipients of the requirement to submit audit reports and therefore had not received and reviewed all reports. Subsequent to our audit, the Department reported it had made this notification and was performing the necessary follow-up. We will continue our follow-up in Fiscal Year 1998. (Note: New federal requirements for subrecipient audit reports will then be in effect. These will significantly decrease the number of subrecipients required to report.)</p>

Department of Natural Resources

29	<p>The Department of Natural Resources should develop and implement procedures so that federal expenditures are properly recorded on the State's accounting system and charged to federal grants. Procedures could include the training of new staff, the review of data entry procedures, and the development of new channels of communication within the Department.</p>	<p>Implemented as applies to federal funds.</p>
30	<p>The Department of Natural Resources should develop procedures so that required federal financial reports are submitted in a timely manner, including documenting financial reporting requirements and developing a centralized report tracking system.</p>	<p>Partially implemented. See current year Recommendation No. 12.</p>

Recommendation**Disposition****Department of Public Health and Environment**

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| 31 | The Department of Public Health and Environment should continue to improve on procedures already implemented for the timely reporting of federal grants. These improvements may include a reallocation of resources at reporting dates, contingency planning for the absence of key personnel, and interim work performed on reports during less deadline-oriented times if possible. | Implemented. |
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Department of Transportation

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| 32 | The Department of Transportation should record excess and remainder right-of-way property, along with any related liabilities, on the State's accounting system. Detailed schedules of properties should support the recorded balances and agree to amounts reported to the Federal Highway Administration. | Implemented. |
| 33 | The Department of Transportation's Transportation Development Section should place a greater priority on reviewing subrecipients' audit reports in a timely manner. | Not implemented. See current year Recommendation No.15. |
| 34 | The Department of Transportation, in cooperation with the Federal Highway Administration, should consider the cost/benefit of resuming the BAMS review of construction bids for compliance with the Copeland Act. If other compliance procedures are deemed more appropriate, they should be performed and documented. | Implemented. |
| 35 | The Department of Transportation should continue to improve on the timely submission of final construction project vouchers. | Partially implemented. See current year Recommendation No. 28. |

Recommendation**Disposition****Department of Treasury**

- 36 The Department of Treasury should ensure that the State is in compliance with the Cash Management Improvement Act and that transfers of funds are made in a timely manner between federal and State agencies through the following: Implemented.
- a. Improve procedures for monitoring agency compliance with prescribed draw patterns and other requirements of the U.S. Treasury-State Agreement by implementing the following procedures to periodically test agency draw patterns:
- Determining the dates that federal funds were requested and received for the selected disbursements, as well as the funding technique used.
 - Determining that the dates that the federal funds were requested, and the funding technique used, were in accordance with the draw patterns prescribed in the Agreement by comparing the disbursement, request, and receipt dates.
- b. Develop and prescribe one draw pattern for each group of similar programs where appropriate.

Statewide Single Audit for Fiscal Year 1995**Department of Administration****Division of Accounts and Control**

- 4 The State Controller's Office should reevaluate the security policies for access to the State's accounting system and determine that the control structure provides reasonable assurance that state assets are properly safeguarded and transactions are adequately authorized and recorded. Implemented.

Recommendation**Disposition****Department of Education**

- 19 The Department of Education should improve procedures for follow-up on Chapter 1 on-site reviews. These procedures should include:
- a. Establishing a formal deadline for responses to areas of noncompliance and following up on instances of noncompliance identified during the on-site reviews at the local educational agencies.
 - b. Ensuring that on-site review reports are issued timely.

**Department of Health Care Policy and
Financing**

- 31 The Department of Health Care Policy and Financing should complete an analysis to determine if it is cost-beneficial to implement a system to calculate interest for the accounts receivable related to the drug rebate program. If the analysis results are positive, the Department should begin work to implement a system to calculate interest.
- Partially implemented. The Department obtained state appropriation and federal approval to implement during Fiscal Year 1996. The Department completed approximately 85 percent of the implementation process as of June 30, 1997, and plans to complete the project by December 31, 1997. Follow-up in Fiscal Year 1998.
- 32 The Department of Health Care Policy and Financing should consider conducting a survey to determine if the dispensing fee remains an accurate reimbursement rate.
- Implemented.

Recommendation**Disposition****Department of Higher Education****Board of Regents of the University of Colorado**

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| 35 | The University of Colorado should ensure that appropriate personnel are educated in the use of tools available to monitor expenditure and budgetary information and hold personnel accountable for complying with budgetary policies. | Implemented. |
| 36 | The University of Colorado should review how it can improve communication of its fiscal policies and procedures to academic units in conjunction with the installation of its new financial management system | Not implemented. To be implemented in Fiscal Year 1999. |
| 37 | The Colorado Commission on Higher Education should establish a statewide policy on refunds of financial aid for students who unofficially withdraw from institutions. | Rejected. CCHE believes there is no need for a statewide policy refund because governing boards are responsible for ensuring their institutions comply with the federal refund policy. |
| 40 | The University of Colorado should ensure that all federal revenues are properly recorded in the accounting system and that federal receipts reported on the Schedule of Federal Financial Assistance are consistent with federal revenues reported in the financial statements. | Implemented. |

State Board of Agriculture**Colorado State University**

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| 44 | Colorado State University should ensure that all required performance reports are filed in a timely manner. To help accomplish this, the Office of Sponsored Programs should modify its computer system to track the due dates for interim as well as final performance reports. | Implemented. |
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Recommendation**Disposition****Trustees of the University of Northern Colorado**

- 57 The University of Northern Colorado should consider removing programmers' access to all production data or, as an alternative, consider creating test data banks to allow programmers data to test programs or create read only access for the programmers to access application menus. Implemented.

Colorado School of Mines

- 60 In order to effectively monitor project sponsor receivables, the Colorado School of Mines should establish a detailed project report that would at least include the name of each project, all project sponsors for each project, the amount receivable from each sponsor, and a proper aging of the receivables. Project sponsor receivables should be reviewed at least quarterly. Not implemented as applies to federal funds. We will continue to follow up in Fiscal Year 1998.

The Colorado School of Mines should maintain a detail of federal grants received and receivable by each department. A copy of the detail should be forwarded to accounting on a monthly basis for proper reconciliation to revenue recorded on the general ledger. The grant forms from the departments should be maintained in a separate file by accounting and master files of the federal grants should also be maintained within accounting.

Judicial Department

- 85 The State Court Administrator should ensure that adequate controls are established and maintained over the Judicial Department's decentralized accounting structure. Deferred. We will continue our follow-up during Fiscal Year 1998.
- 86 The State Court Administrator should work with the District Court Administrators to ensure that the 22 district courts submit accurate and timely bank reconciliations for the Victim Compensation and Victim Assistance Funds. Implemented.

	Recommendation	Disposition
88	The Judicial Department should strengthen control procedures that confirm payroll is accurate by either complying with the current policy or developing alternative compensating controls.	Implemented.
	Department of Labor and Employment	
93	The Department of Labor and Employment should provide, and properly document, performance appraisals for all qualified employees on at least an annual basis.	Implemented.
	Department of Natural Resources	
94	The Department of Natural Resources should request reimbursement of eligible federal funds in a timely manner.	Partially implemented. See current year Recommendation No. 12.
	Department of Public Health and Environment	
104	The Department of Public Health and Environment should charge direct costs to federal grants and state sources following the standards set out by Office of Management and Budget Circular A-87 and State Fiscal Rules. Actual time incurred in performing the work should be charged to the appropriate funding source, not budgeted time. These objectives could be achieved by training the appropriate personnel to properly charge the time spent on programs funded by federal grants.	Implemented.

	Recommendation	Disposition
105	<p>The Department of Public Health and Environment should prepare a cost allocation plan for the Office of Environment and its divisions. The plan should include all administrative personnel and operating materials costs. The plan must be approved by the cognizant agency in advance of its implementation. Circular A-87 allows the costs to be distributed on the following bases:</p> <ol style="list-style-type: none">1. Total direct costs,2. Direct salaries and wages, or3. Another base which results in an equitable distribution. <p>The allocation of these costs should be on the base that best measures the relative degree of benefit.</p>	Partially implemented. See current year Recommendation No. 13.
106	<p>The Department of Public Health and Environment should devise a system whereby the documents are always on hand for inspections, as needed.</p>	Implemented.
107	<p>The Department of Public Health and Environment should charge costs to the Rocky Flats Agreement In Principle grant that are identified specifically to the performance of the award. Other costs should be funded from the appropriate sources or responsibility transferred to the appropriate agency.</p>	Partially implemented. See current year Recommendation No. 14.
108	<p>The Department of Public Health and Environment should record receipts from the Rockwell agreement as revenue and not as deferred grant revenue. The amounts should then be held as restricted fund balance until they are spent on the required purpose. The Department should make the correction to the accounting records.</p>	Implemented.

Recommendation**Disposition****Department of Revenue**

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| 110 | The Department of Revenue should evaluate the impact on the State's cash flows of current Regulations for wage withholding tax filers and revise them as necessary so that new wage withholding taxpayers are initially assigned the filing status that more accurately reflects their tax liability. | Implemented. |
| 112 | The Department of Revenue should take appropriate action to ensure that controls over cash receipts and revenues are followed so that the correct amounts are reported for Highway Users Tax on the State's financial statements and the TABOR schedule. | Implemented. |
| 113 | The Department of Revenue should establish additional controls over fixed assets. | Implemented. |

Department of Treasury

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| 129 | The Department of Treasury should improve controls over the year-end closing process by independently reviewing all data that are submitted to the State Controller's Office. This review should include formulas used in electronic spreadsheets. | Implemented. |
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Recommendation**Disposition****Statewide Single Audit for Fiscal Year 1994****Department of Administration****Statewide Indirect Cost Plans**

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| 20 | The State Controller should develop a cost-beneficial process to review and analyze the agencies' recoveries of indirect costs from the federal and cash-funded programs to determine the amount of General Fund costs recovered and the impact of changes to the Plans. | Deferred. A Cash Budget Plan Task Force has studied the indirect cost recovery tracking issue and identified that a modification to COFRS is the optimal solution. The State Controller's Office will consider funding for the module in Fiscal Year 2000. |
| 21 | The State Controller should review agencies' Cash Plans to ensure that all eligible indirect costs are included for recovery from cash-funded programs. | Deferred. The State Controller's Office is establishing a program that will focus on assisting agencies in implementing cost identification systems. It is intended that this program will enhance the long-term availability of information needed by management to make operating and policy decisions and provide a rational basis for determining fees for cash programs. It is anticipated that one such project will be started prior to the end of Fiscal Year 1998 and a second project will begin early in Fiscal Year 1999. |

Recommendation**Disposition****Department of Corrections**

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| 30 | The Department should implement procedures to ensure that reports required by law relating to federal grant money be filed with the appropriate federal grantor agencies in order to comply with the general grant requirements. | No longer applicable. The Drug Free Workplace reporting requirement has been discontinued as a general requirement with the implementation of the amendment to the Single Audit Act in 1996. |
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Department of Higher Education**State Historical Society**

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| 39 | The State Historical Society should strengthen its fiscal oversight of grant awards by adopting a risk-based monitoring approach which could include periodic on-site financial reviews or audits using standard internal control checklists. | Not implemented. The agency has been granted additional time to implement. We will continue our follow-up in Fiscal Year 1998. |
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State Board of Agriculture**University of Southern Colorado**

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| 55 | Since this is a purchased software system, we recommend that the University look at the cost-benefit of upgrading the current system or purchasing a new system to fully meet its needs. | Implemented. |
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Recommendation**Disposition****Department of Human Services**

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| 102 | <p>The Department should continue its efforts to develop, document, implement, and maintain a comprehensive disaster recovery plan that includes:</p> <ol style="list-style-type: none">1. Standards and departmentwide policies for recovery and backup of mainframe and Local Area Network data.2. Plans to maintain operations in the event of a disaster situation at the state department building or at any county department of social services. | <p>Not implemented. The Department contracted for a disaster recovery study which was completed in Fiscal Year 1997. The Department will continue to work on incorporating the study's recommendations in Fiscal Year 1998. Follow-up in Fiscal Year 1998.</p> |
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Department of Natural Resources

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| 119 | <p>The Department of Natural Resources should conduct a complete inventory of its capital assets. The Department should use the inventory results to adjust its detailed fixed asset listing and the State's accounting system.</p> | <p>Implemented as applies to federal funds.</p> |
| 120 | <p>The Department of Natural Resources should follow through on its prior year audit response to, on a quarterly basis:</p> <ol style="list-style-type: none">a. Reconcile totals from its detailed fixed asset listing to the State's accounting system.b. Reconcile capital outlay expenditures to the asset additions recorded on the State's accounting system. | <p>Implemented as applies to federal funds.</p> |

Recommendation**Disposition****Statewide Single Audit for Fiscal Year 1993****Department of Education**

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| 43 | The Department of Education should assess the adequacy of controls related to the HP 3000 minicomputer environment. The IMS Unit, in cooperation with program managers and the accounting unit, should consider controls over: | Implemented. |
| | a. Information input into the system. | |
| | b. Program change and development, as well as processing. | |
| | c. Output from the system, including performance of reconciliations. | |
| 45 | The Department of Education should complete the implementation of the HP 3000 minicomputer disaster recovery plan by establishing implementation dates for uncompleted aspects of the plan. | Partially implemented. An outside consulting firm completed a formal disaster recovery plan for the Department in Fiscal Year 1997. A formal request was then made for funding to implement the plan. Follow-up in Fiscal Year 1998. |

Department of Higher Education**Colorado Commission on Higher Education**

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| 61 | The Colorado Commission on Higher Education should complete its policy and procedures manual for financial operations. | Implemented. |
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Recommendation**Disposition****Department of Military Affairs**

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| 174 | <p>The Department of Military Affairs should comply with the Fiscal Responsibility and Accountability Act by:</p> <ul style="list-style-type: none">a. Documenting the internal controls over the payroll and journal voucher systems.b. Making sure its internal control procedures conform to State Fiscal Rules.c. Identifying internal control techniques for each cycle and identifying the position in the Department responsible for performing the function.d. Developing procedures to carry out an annual review of the Department's internal control environment for the purpose of determining if there are changes in conditions. | <p>Partially implemented. The Department has adequate controls in place. Although the Department has begun an annual review of selected controls, it has not yet documented the internal controls over the payroll and journal voucher systems. We will continue our follow-up in Fiscal Year 1998.</p> |
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Statewide Single Audit for Fiscal Year 1992**Department of Corrections**

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| 48 | <p>The Department of Corrections should strengthen its controls over fixed assets by performing a monthly reconciliation between capital expenditures and additions to fixed asset accounts.</p> | <p>Implemented.</p> |
| 49 | <p>The Department of Corrections should complete biennial physical inventories of fixed asset equipment in accordance with Department policy.</p> | <p>Not implemented. The Department is currently identifying all of the assets within the Department which will be reconciled to the financial records. Follow-up in Fiscal Year 1998.</p> |